

# AMERICAN OBSERVER

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe*



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MAY 28, 1934

## Arms Parley Meets at Critical Moment

**End of Negotiations Seen if Geneva Is Unable to Find Some Formula for Agreement**

### ROOSEVELT GIVES NEW IMPETUS

**Expresses Hope That Delegates Will Curb Traffic in Armaments**

The disarmament conference meets tomorrow for what may prove to be its decisive session. It will be the first general gathering since Germany suddenly withdrew from negotiations on October 14, 1933, and forced the delegates to adjourn hastily and in confusion. Since that time discussions have been taking place privately among European statesmen. Great Britain in particular has made efforts to gain the adherence of France and Germany to a plan which would satisfy their respective ambitions—the one for security and the other for greater armaments. But all attempts at reconciliation have been unproductive. France summarily ended private negotiations on April 18 by telling Great Britain that German rearmament in violation of the Versailles Treaty had rendered impossible the continuation of discussions.

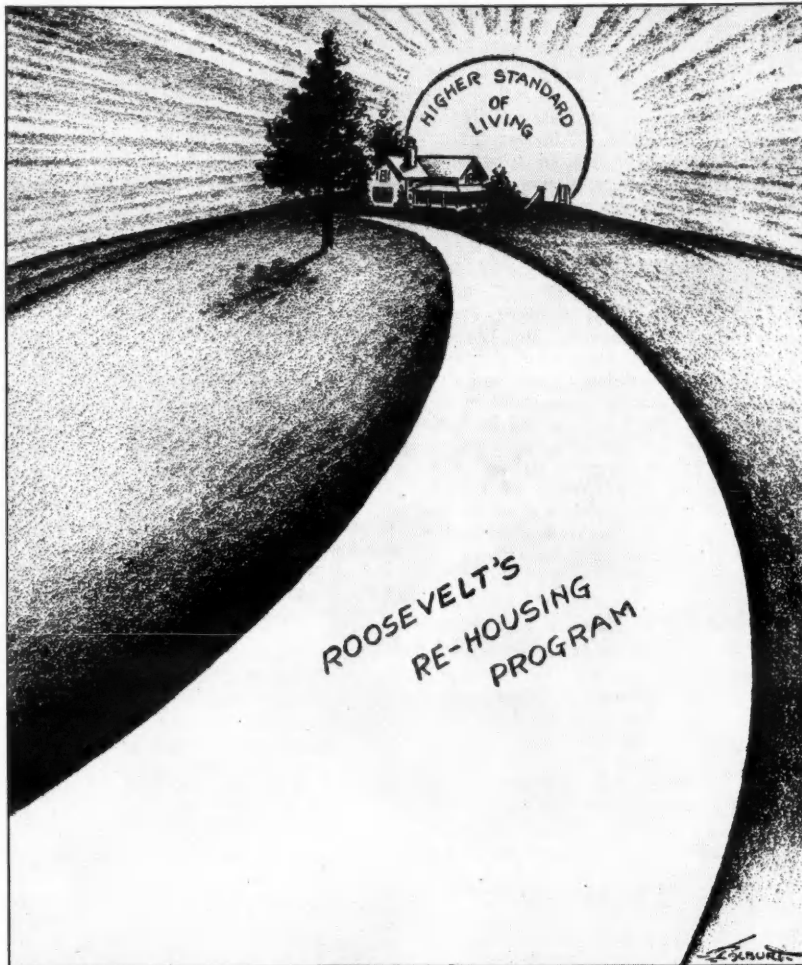
### Back to the League

And so the problem is brought back to Geneva and to the League which has nurtured it since the war. No visible progress having been made, the conviction has gained ground that the conference had best wind up its activities and leave the nations to the mercies of the arms race on which they are already preparing to embark. But the more stalwart disciples of disarmament are still fighting for an agreement which would at least permit the conference to escape the necessity of making a confession of failure. During the last two weeks new avenues of approach, new solutions, have been sought, and it is apparent on the eve of the conference meeting that the situation is not entirely without hope.

This fresh attack on the armaments question is directed against the munitions makers—"the Merchants of Death," the "Secret International," the gentlemen specializing in "Iron, Blood and Profits," who have been receiving so much publicity of late. It is believed that if the unrestricted sale of arms and munitions by private concerns to any customer in any country can be brought under some measure of control, substantial progress will have been made toward the eventual limitation and reduction of armaments—an end which admittedly is not now realizable.

As indicated above, the methods and motives of munitions makers have become common knowledge (AMERICAN OBSERVER, May 7, 1934). We know of the great armament concerns such as Schneider-Creusot in France, Vickers in Great Britain, Skoda in Czechoslovakia, Krupp (at work again) in Germany, Mitsui in Japan, and Bethlehem Steel and Dupont in the United States. We have heard how armament manufacturers have fomented war scares to furnish markets for their wares; how

(Concluded on page 6)



THE ROAD TO HOME SWEET HOME

—Talbot in Washington News

## Facts and Principles

It too often happens that political conversation and discussion run off into meaningless generalities. Just now, for example, we are hearing a great deal of vague comment about ideas and principles which are so general and undefined in the minds of those entering into the discussion that the comment has little meaning. In the press and in private conversation much is said about "the new deal," "national planning," "regimentation," "the brain trust," "socialization," "individualism," "traditional Americanism." One suspects that these terms are used too frequently by persons who have no exact notion of their meaning. Debate about vague principles of this kind gets away from reality. It feeds prejudice, but does not lead us toward solution of concrete problems.

Let us forget these generalizations for a while and think about tangible things. Here, for example, is something to turn over in our minds: Ten million families are in despair today. The would-be bread-winners, sick at heart, are casting about trying to find something to do, and they are failing. Men are wondering where they are going to get food and clothing and shelter for their wives and little children. We say that these are free men, and we talk about preserving American freedom, but they are not free to do the one thing they want to do, and that is to go out and work at honest labor to earn a living for their families. When these concrete situations are to be found on every hand, why talk of abstractions like liberty or freedom or democracy?

Let us instead try to find out what definite and concrete measures we can adopt to give work to the unemployed; to give security to American families. Then, when we have found what these definite measures are, let us adopt them. Having adopted the measures which will give reality to the American dream of freedom and security, we can generalize about the things that we have done, or philosophize about them. We can then adopt theories of government which are in keeping with the concrete and definite things we have learned how to do. But let us not put the cart before the horse; let us not exhaust ourselves in debating about generalities, as if principles, divorced from reality, were the matters of first importance.

## Roosevelt Proposes New Housing Plan

**PWA Program to Aid in Construction of Low-Cost Projects Was Not Successful**

### TO FINANCE BUILDING LOANS

**Congress Asked to Approve Renovation of Homes by Use of Credit**

Last week we discussed in this paper the plight of the capital goods industries such as those which participate in the making of construction materials. These industries must be stimulated if unemployment is to be reduced to normal proportions, and if the country is to get back to normal prosperity. It is easy to see, then, why the administration is anxious to help this branch of industry, and why it should turn its attention to a large-scale housing program. The housing program is intended as a means of encouraging construction industries, while, at that same time, raising the standards of living of the American people. The building industry has been lagging seriously. A few years ago \$11,000,000,000 a year was being put into building. Now only \$3,000,000,000 is being spent in that way. Normally the construction of residences called for \$3,000,000,000 a year. Last year's total fell to one-tenth that amount. Normally 3,500,000 people are engaged in the construction industries. Other workers directly affected by building operations swelled the total who find employment directly or indirectly in such activities to 5,000,000. Now employment in these industries is almost negligible.

### Recent Experience

The work of building has not fallen off because of a lack of need for it. More than half of the people of the country are badly housed. There is a real demand for new housing and for modernization or renovation of old houses. The trouble is that people do not have the money to build and renovate and cannot get it. Now the president proposes that the government shall step in and help home owners to get the money so that they may proceed with building and repairing operations, so that they may insure the pleasantness of life, furnish work to millions now unemployed, and start the wheels of the construction industries into motion.

Before we take up this particular housing program, the one which has been presented to Congress by the president, we should understand that this new plan is by no means the first effort which has been undertaken fairly recently to encourage better housing and to help the industries which depend upon construction activities. President Hoover was very much interested in housing, and he called the President's Conference on Home Building and Home Ownership in December, 1931. The need for a housing program was then considered by architects, planners and social organizations. The need was considered both from the standpoint of the living conditions of the American people and from the standpoint of the plight of the building industry. Much enthusiasm was exhibited at this conference, and the interest spread

(Continued on page 7, column 1)



# Notes From the News

**Anti-Crime Bills Signed; World's Fair Reopens; Strikes Blanket the Nation; Army Chief Angered by Writers; Progressives to Fight Old Parties**

**P**RESIDENT ROOSEVELT recently signed six bills passed by Congress to aid federal authorities in attacking the crime problem. As he did so he issued a statement calling upon the American people to join the government in a crusade against lawbreakers. The message read in part as follows:

"I regard this action today as an event of the first importance. So far as the federal government is concerned, there will be no relenting. But there is one thing more. Law enforcement and gangster extermination cannot be made completely effective so long as a substantial part of the public looks with tolerance upon known criminals, permits public officers to be corrupted or intimidated by them or applauds efforts to romanticize crime."

In this fashion the president struck a needed blow at the public complacency and even admiration with which some unthinking people view the lawlessness of such men as John Dillinger. The bills which were made law by Mr. Roosevelt's signature all aim to increase penalties and make federal action easier in handling crimes in which kidnapped persons, ransom notes, or stolen property are carried and sent across state lines.

## More Progress

Chicago's World's Fair (which nearly everyone refuses to call "A Century of Progress") reopened Saturday, May 26, for its second showing. New buildings and new attractions dot the grounds; the array of vivid colors has been subdued a little; and Rufus Dawes, president of the exposition, claims it will be somewhat more sedate in tone than last year. Among the new concessions, much interest attaches to the foreign villages. Last year such attractions as the Belgian Village were so successful that a score of imitators have sprung up. There will be Swedish villages, Irish villages, German villages, and Persian towns. Officials assert that European travel is unnecessary; they say, "Come to Chicago and see the world."

## Labor in Ferment

Business and the New Deal are experiencing plenty of rough weather on the labor front. The automobile labor settlement engineered by the president still seems ineffective. Recent strikes in St. Louis, Cleveland, and Flint, Michigan, especially in the Fisher Body Company, Buick, and Chevrolet plants demonstrate the dissatisfaction of automobile workers with the operations of the Automobile Labor Board headed by Dr. Leo Wolman.

Furthermore, the impatience of the laborers has spread to many other industries.

Longshoremen on the Pacific Coast and in the Texas Gulf ports have struck, and violent battles with police and strike-breakers have resulted. Five thousand truck drivers are on strike in Minneapolis, holding up deliveries of food and other products; Governor Olson has threatened to call out the state militia to assure adequate distribution of goods. For weeks striking service-station employees have limited Cleveland's gasoline supply to a minimum. Bituminous coal miners are on strike in Kentucky and other coal fields. A dozen other examples could be mentioned.

Back of these disputes, some of them dangerous and bloody, and all of them disturbing to progress and recovery, stands section 7-a of the recovery act. Workers feel they have been guaranteed rights by the collective bargaining clause, and that these rights are not being enforced in any effective way. They have waited in many cases months for governmental action; finally they have resorted to strikes. Employers counter with charges of outside labor agitation. Meanwhile a situation has developed which may seriously damage the country's chances to recuperate from depression.

## Lightship Collision

For several years the officers and crew of the lightship *Nantucket* have feared and dreaded a catastrophe which might happen any day. And a few days ago their worst expectations were fulfilled, when the giant liner *Olympic* crashed into the lightship in a heavy fog. The knife-like prow of the great White Star line passenger ship sheared through the little *Nantucket*, sinking it almost immediately. Four of the lightship's men were rescued, including sixty-nine-year-old Captain Brathwaite; the bodies of three others who had been instantly killed were found and brought to land, while four members of the crew could not be found in the swirling waters.

Long a familiar marker off the Atlantic Coast, directly in the line of the regular steamship travel across the ocean, the *Nantucket* lightship was a floating lighthouse, giving warning of the dangerous Nantucket shoals. A radio beam which was tuned in by incoming vessels served to mark the ship's position, so that the liners could steer clear of her. But the *Nantucket* crew always felt that something might happen during heavy weather which would make the best plans of navigators ineffective. After the disaster, the Bureau of Navigation opened an investigation to determine its causes. Captain Binks of the *Olympic* testified fully, and the special commission decided that no person had been at fault. The blame was placed on



DISPERSING BUFFALO RIOTERS

Fire hose and tear gas bombs were used to rout rioting aeronautical strikers in front of the Curtiss airplane plant. This is only one of the many instances of labor violence which have been breaking out in various parts of the country.

natural conditions which could not have been overcome.

## To Check Radio Ads

The Federal Trade Commission announced last week that all radio advertising would be brought under its scrutiny, just as printed advertising is judged. The FTC has power to examine advertising, in order to prevent false or misleading statements which would constitute unfair competition. So far the commission has confined its efforts to newspaper and magazine copy. From now on commercial radio announcements will be submitted to the FTC for approval before they are broadcast. In the past the requirements set by this government agency have been lenient.

## MacArthur Sues

General Douglas MacArthur, the chief of staff of the United States Army, who won perhaps his greatest publicity in handling the bonus army in Washington during the summer of 1932, has brought a libel suit for \$1,750,000 damages against Drew Pearson and Robert S. Allen, authors of the syndicated newspaper column called "Washington Merry-Go-Round." Charging that the column published libelous statements damaging to his character on seven separate occasions, General MacArthur says these Washington "gossipers" meant to convey the impression that he was guilty of conduct unbecoming an officer and contrary to army rules. Among other things, Pearson and Allen asserted that "wire-pulling is one of the general's greatest arts."

## Investigators Chosen

Stephen Raushenbush, research expert and writer of New York City, has been named chief investigator for the inquiry into arms and munitions traffic to be conducted this summer by a special Senate committee headed by Senator Gerald P. Nye. In addition to Raushenbush, three men have been named to act as an advisory committee in the work. They are Dr. Harold G. Moulton, president and director of the Brookings Institution; John T. Flynn, writer and research expert; and Dr. Manley Hudson of the Harvard Law School. Raushenbush is best known for his inquiries into the public utility business. Nye announced that two other members will be chosen for the advisory committee.

## Social Studies Report

Perhaps the most significant study ever conducted in the United States in connection with the teaching of the social sciences has just been made public by the Social Studies Commission of the American Historical Association. The commission, headed by Dr. Charles A. Beard and numbering among its members a dozen outstanding educators, has published a report so sweeping and "radical" in tone that several members dissented and will probably present a minority report. One section of the findings states that we are in a transition stage between an economy of individualism and an economy of coöperation or modified collectivism. The report urges that the social sciences should be taught in such a

way as to help the new generation make this transition in harmony and peace.

A continued emphasis in education on the traditional values of individualism will only make the adjustment more difficult and cause conflict, the report warns. And the educators go on to urge that the supreme purpose of the new education should be to prepare an entrance into a new social order through thought and knowledge rather than confusion, ignorance and regimentation. Altogether the social studies commission has asked for a long-time planned technique for education, to fit the demands of the changed conditions of modern life.

## Another Chicago Fire

Slowly recovering after the worst fire the city has experienced since the carelessness of Mrs. O'Leary's cow caused the conflagration of 1871, the Chicago stockyards area was rebuilding in the ruins last week. The fire broke out on the afternoon of May 19 and raged for several hours before firemen could place it under control. More than \$10,000,000 estimated damage resulted over an area of a dozen square blocks of the south side. Every available piece of fire equipment in the city and suburbs was concentrated in the fire district, and fire-fighters were recalled from their Saturday holiday to aid in the work. Among the buildings destroyed were the International Amphitheater, scene of the annual livestock exposition; the Stockyards Inn, famous stockmen's hotel; two national banks; the old exchange building; the offices of the *Daily Drivers' Journal* and radio station WAAF; and dozens of stock pens and feed barns. A strong wind swept the fire eastward across Halsted Street before being subdued. The long drought had made tinder of the frame buildings in the path of the blaze, and firemen worked under the greatest difficulties. More than fifty persons were injured, including several firemen who suffered severe burns.

## Wisconsin Third Party

A recent convention of Wisconsin Progressives, headed by Senator Robert M. LaFollette, Jr., voted overwhelmingly to withdraw from the Republican party of that state and form a new third party for the autumn elections. This action had been expected for some time. Senator LaFollette, with his brother Philip, formerly governor of the state, are the heirs to the Progressive leadership of their father, who served as governor and United States senator for many years. The LaFollettes supported President Roosevelt in the 1932 campaign. In the Senate "young Bob" has gone along with the New Deal for the most part, though he wants the administration to go farther than it does toward the left, especially on public works and relief. He led the fight for the St. Lawrence Waterway treaty in the Senate.

Neither the president nor the Democratic National Committee has issued any statement of support for LaFollette in the coming election, as was done for Hiram Johnson of California. Consequently the convention decided to form the "Progressive party" and face both Democrats and Republicans in the fall.



MUSIC FOR "A CENTURY OF PROGRESS"

Daily concerts will be given by the Chicago Symphony Orchestra from this floating band shell built on the lagoon.



# AROUND THE WORLD

**France:** Reports that France and the U.S.S.R. are preparing to conclude a defensive alliance created a profound impression in Geneva last week. Such a pact would have the effect of guaranteeing the European frontier of the Soviets against possible aggression by Germany. It would permit Moscow to concentrate its attention and its troops in the Far East to cope with the Japanese menace. At the same time it would give France additional assurances of security which she feels are needed in view of the uncertainty of support from some of her allies, notably Poland, Yugoslavia and Rumania. These countries appear to be drawing nearer to Germany, and France is anxious to offset this handicap.

If a Franco-Soviet treaty is concluded, it will probably not be similar to the pre-war alliance between France and Russia. It will more likely take the form of a general pact of mutual assistance which will be open to all countries. It will be worked out within the framework of the League of Nations which the Soviets are expected to join in September. The result, however, will be the same. France and the U.S.S.R. will be pledged to help each other, and the ring around Hitler will be tightened.

The problem of revising the constitution in order to bring more efficient government to France is being given serious consideration as the dangers of immediate crisis wane. But Premier Doumergue, while he feels that that administrative power should be strengthened, is not inclined to side with those who want a form of government approaching dictatorship established. In a recent speech he expressed the conviction that France need not attempt radical experiments such as those which other countries have embarked upon. Reform is needed, he said, "but of a kind and in a measure which suits that democracy and attachment to personal liberties which France has and intends to retain."

**Great Britain:** Sir John Simon, British foreign secretary, continues to adopt a lenient, almost approving attitude toward Japan's "hands-off China" policy. Shortly after the startling declaration made by Eiji Amai, foreign office spokesman in Tokyo, April 17, Sir John in a mild statement to the House of Commons declared that Japan had explained her policy to Britain's complete satisfaction and that the incident, so far as he was concerned, was closed. But criticism piled up and so Sir John undertook to defend his attitude last week:

Any one who heard the criticisms of this government's policy would have supposed the Nine Power Treaty contained some clauses whereby this country undertook to respect and preserve the integrity of Chinese territory. It contains no such clause.

It is not true that we have ever signed or any one else has ever signed a treaty with China in which we have pledged ourselves to use all our forces to preserve the integrity and political independence of China.

The next day, Dr. Alfred Sze, Chinese minister in Washington, made the following reply to the British foreign secretary's remarks:

It is true that Great Britain has not, in so many words, given a treaty pledge to use all her forces to preserve the integrity and political independence of China, and thus Sir John's statement may be said to lie within the confines of fact meticulously viewed.

But there is also the fact that Great Britain has signed the treaty of which the Covenant of the League of Nations is a part, and that, by Article X of that Covenant, Great Britain, in common with the other members of the League, has undertaken not only to respect but to preserve as against external aggression

the territorial integrity and existing political independence of all members of the League, among which members China is included.

But if London is inclined to take a disinterested attitude with regard to Japanese ambitions in China, it becomes immediately concerned when the announcement is made that Japan will seek a larger navy at the 1935 conference. This declaration was made formally in Tokyo on May 17 (it has been made informally a number of times), and it was immediately declared to be unanimous in London that Japanese naval supremacy in the Pacific cannot be tolerated. The United States is known to be in the same frame of mind. If, therefore, Japan persists in her intention of having a larger fleet, she will invite a naval race. She is hardly in a position to compete with the United States and Great Britain in ship building.

**Japan:** A financial scandal involving Hideo Kuroda, vice-minister of finance, has again brought confusion to Japanese politics and has endangered the Saito cabinet. Fearing outbreaks on the part of patriotic societies which have little sympathy for parliamentary government and which have formerly been responsible for the assassination of government officials, authorities immediately took all precautions to safeguard the lives of Premier Saito and his cabinet. It is not yet known whether the premier will offer his resignation. He will wait until guilt has been fully established before making a decision.

**El Salvador:** This tiny Central American republic has claimed the doubtful honor of being the first nation other than Japan to recognize Manchoukuo. It is learned that recognition actually took place on March 3, "as the first step by a nation on the American continent to enhance peace in the Far East." Various constructions have been placed on this move, one being that El Salvador is trying to embarrass the United States, which has led the movement against recognition of Manchoukuo. Relations between Washington and El Salvador have not been especially good in recent years. In 1931 a semi-military dictatorship was established in El Salvador. The United States waited until January 26 of this year before recognizing the government. This may have had something to do with the decision to recognize

Manchoukuo but it is more likely that El Salvador was influenced by a desire to increase coffee exports (her main crop) to the Far East. It was stated in Tokyo that four Latin American republics will follow the lead of El Salvador.

**Bulgaria:** A sudden and bloodless revolution occurred in Bulgaria on May 19 when party government was cast aside and a Fascist régime established in its place. Troops quietly occupied public buildings and other strategic centers while King Boris III was persuaded to appoint a new ministry headed by Kimon Gheorghieff, former minister of railways. The new dictatorship will proceed with the "organization of a disciplined" state along Fascist lines. The Bulgarian *coup d'état* resulted from continued Communist disturbances, agrarian troubles and general dissatisfaction with the "previous system of party government (which) paralyzed efficient administration."

**Latvia:** Three days before the Bulgarian crisis, Latvia joined the Fascist ranks. Troops marched into public buildings, and a dictatorship under the direction of wealthy landowners cooperating with Fascist organizations was established. It was declared that the *coup* took place just in time to prevent an uprising on the part of Socialist Democrats in an effort to take over the government.

**Germany:** In an effort to cope with the increasingly difficult unemployment problem the Nazis have taken the first step toward preventing country people from migrating to urban centers. Hereafter, no rural inhabitant will be permitted to come to Berlin and Hamburg in search of employment. The ban is to be extended to other cities later on. The new restrictions are so drastic that one would have to look back to the middle ages to find their counterpart. The following description by John Elliott, Berlin correspondent of the New York *Herald-Tribune*, gives a good idea of this latest Nazi experiment in regimentation:

The law provides also that heads of non-agricultural enterprises shall be compelled to dismiss workers who have been employed in agriculture at some time in the last three years, if it is shown that jobs on farms can now be found for them. The law applies par-

ticularly to male and female labor engaged in agriculture as farm hands, domestic servants, itinerant workers and milkers.

Certain industries which are said to have been responsible in the past for drawing farm hands to the cities in large numbers will in the future be closed to country folk. These are mining, iron and steel production, foundries, the building trades, the brick industry, railroads and the post office. Country girls will no longer be able to get jobs in the big cities as, for example, domestic servants, cooks, chambermaids or barmaids.

In explanation of this new policy the Nazis point out that unemployment is largely concentrated in the cities where 81 persons for each 1,000 of population are out of work, whereas in the country the ratio is only 23 per 1,000. They expect, therefore, to spread unemployment more equally over the country. At the same time, by placing emphasis on rural rather than urban population, they hope to develop a more healthy individual and to increase the birth rate.

**Geneva:** The League's China committee met on May 17 to consider the plan for the reconstruction of China submitted to it by Dr. Ludwig Rajchman, League technical adviser to China. Dr. Rajchman's report had aroused the ire of Japan and a movement got under way not only to kill the report but to remove Dr. Rajchman. The League committee, however, voted unanimously in approval of the reconstruction plans, and instructed Dr. Rajchman to proceed with consultation and negotiations looking to the carrying out of the projects, which include road building and other improvements. The next move is up to Japan.

**Cuba:** Grau San Martín, the radical professor who became president of Cuba after the fall of de Cespedes last September, and whom the United States refused to recognize, has returned to Havana. He had been residing in Mexico. Upon arriving in Cuba he was given a tremendous ovation by at least 20,000 followers of the Cuban revolutionary party which is dominated by students and which was in power when Grau was president. Grau has indicated that he will be willing to run for president whenever elections are held again. He will have the support of the numerous extremists who are dissatisfied with the more moderate Mendieta.

**Colombia:** The scheduled war over Leticia will not take place because Colombia and Peru have decided to bury the hatchet—temporarily at least. It was announced on May 19 that both countries have accepted the settlement of their dispute proposed by Brazil and that they will not fight over the border town of Leticia for which they have been contending for many months. The peace plan pledges the two nations to observe all existing treaties between them, and provides for arbitration of the present difficulty.

**U. S. S. R.:** The specter of drought which always threatens to leave in its wake famine and destruction to Communist plans has again aroused the apprehensions of the authorities in Moscow. The wheat crop in the important Azov-Black sea region is endangered and every effort is being made to ward off disaster. Men are being mobilized as in war time, and armed with buckets and barrels are carrying water from streams and rivers to the parched crops. There will be no wheat shortage this year if the Communist leaders can possibly help it.



TWO MILLION CHEERED

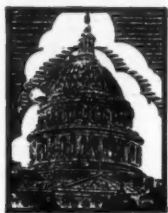
But it is reported that Hitler's latest audience (May Day) was not as wildly enthusiastic as on previous occasions. Fiery speeches are becoming an old story in Germany.

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### OPPOSITION DEVELOPS

Until recently the Roosevelt administration has had very little organized opposition. Business was in such a desperate plight when President Roosevelt took charge a year ago this spring that business men had very few suggestions to offer. They were scared witless and were willing to accept the government's leadership. The Republican party was thoroughly discouraged by overwhelming defeat. Not only that, but it was torn into warring factions. The result was an absence of criticism, either from industrial or political leaders.

It was inevitable, of course, that opposition should develop. Different features of the administration's program were bound to be disappointing. Progress toward recovery was certain to be slow at best, and it was natural that impatience in some cases should take the place of initial confidence.

Now that the New Deal administration has been in power a little over a year, it is facing the first test of its popularity before the people. The campaign is getting under way for the election next November of the House of Representatives and of a third of the Senate. The Republicans are emerging from the state of total discouragement and are taking heart. The nomination, on a Republican ticket for senator in Pennsylvania, of Senator Reed over Governor Pinchot, has put spirit into the Republicans. Senator Reed has been critical of the Roosevelt policies while the president's program, in the main, was defended by the governor.

Perhaps too much significance has been attached to this primary election. It does mean that President Roosevelt has failed to receive the endorsement of the Republican party in one of the strongest Republican states in the union. But, after all, it cannot be expected that, in a state which is strongly Republican, the policies of a Democratic president will be supported by a majority. The fact that a large minority of Republicans in Pennsylvania are upholding the Roosevelt policies is an indication of the difficulty of the Republican position. But the Reed victory does furnish a starting point for the revival of Republicanism. The address before the Young Republicans of New York by former Secretary of the Treasury Ogden Mills is further indication of a stiffening of Republican opposition to the administration.

It appears that the political combat will be renewed this summer and that the New Deal policies will be made the issue. This will be a good thing. It is desirable that an administration should have stiff and determined opposition. It is better that its actions should be criticized. It is a dangerous thing for the opposing party to disintegrate, either in numbers or spirit, so that the proposals of the administration are enacted unquestioningly into law. It



TWO CROP LIMITERS REPORT FOR DUTY  
—Kirby in N. Y. WORLD-TELEGRAM

would have been a good thing if there had been more criticism a year ago—a good thing for the Roosevelt administration. Many things have been done during the last year hastily and without sufficient examination, because there have been no determined and courageous critics. The Securities Act, for example, was passed by almost unanimous vote a year ago, and now on all hands it is recognized that, while the law in general may be very good, certain mistaken features were included, and amendment is necessary. It would have been better for the administration itself if there had been more critical examination at the time the measure was under consideration.

No good comes from mere carping or from ill-considered abuse of those who are in power, but wiser legislation will result if there is a check of the acts of those in authority by constructive and thoughtful opposition.

### War Debts Cancelled?

Frank H. Simonds, well-known authority and writer on international affairs, states that when the history of our times is written, the names of two Californians—ex-President Hoover and Senator Hiram Johnson—will be hailed as the men who settled the war debt question. Simonds says Mr. Hoover, through his war debt moratorium, settled the problem of payments on the original scale which Europe was unable to pay. Then the token payment system followed, with some of the countries managing to keep from technical default by making small amounts to show they recognized the debts. Finally, Senator Johnson secured passage of his bill to refuse credit to nations which had not paid their debt installments. This, says Simonds, stopped token payments. Both of these men, he believes, found ways out of the war debt dilemma without realizing just what they were doing. Johnson, for instance, apparently believed he was doing just the opposite thing—moving toward collection of the debts. Simonds regards the debt question as practically settled; the debts, he claims, are in effect cancelled, and nothing can revive hopes of repayment. Part of his syndicated article, printed by several newspapers, including the *Washington Star*, reads as follows:

Sometime, as I said at the beginning, the country will be grateful to Hoover and Johnson. Then it will join them in its praise. Then it will say of them that, together, they got us out of the debt difficulty, that together they put an end to all European debt payment. Mr. Hoover may perhaps claim the larger share of praise, because he stopped payments on the old scale by the moratorium, but Senator Johnson just as surely stopped token payments. Together, then, they must stand as the great cancellers. Probably by the time the history of our times is written, people will have forgotten that the effects of the acts, alike of the president and the senator, were quite the opposite of what both intended, but in any event that detail will be of little importance by that time.

The debtors, having been forced to default, will now be freed from further disguise. The creditors, having been compelled by the Johnson bill to cancel—since even token payments are now barred—can exhaust their natural irritation in harmless denunciation.

### How Dillingers Are Made

The Fresno, California, *Bee* speaks editorially about Dillinger and the causes of crime in the United States in the following paragraphs:

British newspapers are shocked and horrified by the Dillinger affair, as they have been shocked and horrified by many rather similar affairs in the past. But in the comment one has seen, none of them has put his finger on the fundamental meaning of the Dillinger case and of our ghastly crime record in general. Perhaps they are too polite.

Less polite, or more discerning, the St. Louis *Post-Dispatch* comes out frankly and says:

"We have, of course, known what the trouble is for a long time. . . . We have a double standard of morals in the United States, and it has demoralized the nation. To catch Dillinger, necessary as that is, is not to strike at the cause of crime and corruption in America. Crime has its roots in the national immorality, and we need not be reminded what the national immorality became."

Those are strong words, and any decent and patriotic American must find them hard to take. But do they not have to be taken?

Dillinger is only a symptom; he is only the logical end-product of a way of life founded on the injunction, "Get the money."

We have seen what acting upon that injunction did to some of our most conspicuous bankers and business men during the Big Boom. But have we seen yet all it has done to every one of us and to the nation?

It is very much to be doubted if we have. But it seems certain that until we do see it, until as a people we come to care at least half as much as the British care about honor and probity in all walks of life, we shall continue to pay undiminished tribute to crime, to corruption of all sorts and to entrenched greed.

### Producer and Consumer

When you buy a quart of milk or a pound of butter, who gets the largest share of the money you pay for it? An editorial paragraph in the liberal weekly, *The Nation*, discusses this question, which is more important than appears at first glance:

While the AAA (aided by the Midwest drought) still plans for the control of farm production, consumers' organizations, which have been a thorn in the side of the price-fixing scheme, have come forward with new evidence that the trouble lies in distribution, and that the gap between producer and consumer prices continues to be exorbitantly wide. Senator Lynn J. Frazier of North Dakota has introduced a bill seeking to set up a \$120,000,000 federal marketing corporation for the



A CASE FOR EMERGENCY AMPUTATION

—Carlisle in Washington Star

purchase and sale of farm products and to regulate the price spread for the benefit of both producer and consumer. At a hearing on the bill (backed in the House by James Sinclair, also of North Dakota) Frederic C. Howe, Consumers' Counsel of the AAA, revealed that in 1932 the producer received only thirty-three cents of the consumer's dollar while the remainder went to processor and distributor.

### The Darrow Report

Newspaper comment on the Darrow report of NRA seems to agree generally that the review board has not provided enough evidence to prove its conclusions, but that a thorough study of monopoly tendencies in NRA is still desirable. This statement by the *Christian Science Monitor* is a good example of what most editorials have to say:

One impression that stands out as a result of the review board's charges is that most of the abuses alleged—and a number of them are really serious—are abuses which existed before the NRA came into existence and would probably continue in its absence. These, such as the basing-point price system in steel, producer control of exhibitors in motion pictures and the use of pressure to prevent effective competition, are part of the régime of might in business. Whether the industrial codes actually abet sinister practices and give legal garb to the efforts of large companies to snuff out their smaller rivals, or whether they offer a hopeful method for gradually eradicating these practices, is a question that deserves thorough study but which ought to be decided only on full and convincing evidence.

So far, the NRA itself through its consumers' advisory board or its research and planning division probably has made as comprehensive investigations as anyone, but manifestly such studies should not be limited within the NRA organization. Independent criticism is desirable, and fortunately is showing its head from several quarters. This criticism will be most helpful when it digs deep enough to bring up specific constructive remedies for the particular evils it finds.

A man in London started laughing sixteen months ago and can't stop. We knew it took an Englishman a long time to get a joke, but we never realized it took him so long to get over one.  
—Altoona MIRROR

A strange name appeared in the news the other day—King Emmanuel of Italy.  
—Toledo BLADE

Russia is at last about to become a civilized occidental nation. A chain of five-and-ten-cent stores has been launched.  
—Louisville COURIER-JOURNAL

Smedley Butler says the Japanese have originated nothing in the military art. We believe, though, that they were the first to "launch a defensive."  
—Richmond TIMES-DISPATCH

Some day some film company will depict an actual scene in the editorial rooms of a big daily newspaper showing the force quietly at work instead of a floor littered with papers and reporters and copy boys dashing around like a flock of chickens with their necks broken.  
—Florida TIMES-UNION

It appears that the great western powers can neither understand Japan nor undersell her.  
—Norfolk VIRGINIAN-PILOT

Germany is said to be rapidly approaching the stage where there will be nobody left to stand on the sidewalk and watch the paraders go by.  
—New York TIMES

Well, if fate is trying to conceal Al by naming him Smith, she is beginning to make headway.  
—New York HERALD-TRIBUNE



# Historical Background

## Proposal for Remonetization of Silver Brings Old Controversy Before Nation

IT SEEMS probable that some sort of silver legislation will be enacted before the adjournment of Congress. Perhaps this legislation will be very important. It may mark a change in the monetary policy, by which the United States may cease to be a gold standard nation. It may be that the single standard will be discarded in favor of a gold and silver standard.

Just now, in the latter part of May, it appears likely that legislation will be enacted declaring it to be the policy of our government to go in the direction of a gold and silver standard, but leaving to the president the means whereby this end may be achieved. The sentiment is strong in Congress for a plan whereby the metal held in the Treasury as a reserve against the circulating paper money shall be gold and silver instead of gold alone, about seventy-five per cent of the reserve being gold and twenty-five per cent silver. If this reserve of silver is to be held, a great quantity of the white metal must be purchased by the government, but whether it shall purchase domestic silver alone or go into the world markets, and the rate at which the purchase shall be made will, in all probability, be left to the president.

### Historical Background

If such a plan as this is adopted, it will differ from the monetary programs we have had in the past when silver as well as gold has been used. In former times the effort has been made to maintain gold and silver at a certain value with relation to each other. Now the plan is simply to have both metals held in reserve against the paper money in circulation, a definite quantity of the metal to be gold and a definite and prescribed quantity silver. Since the silver question has figured so prominently in American history, it may be worth while to examine historical backgrounds against which the present demand for silver legislation may be studied.

We have had for some time a gold standard; that is, gold alone has been held in reserve and gold has been exchangeable for the paper money. The paper money has represented gold and its value has been determined by the value of gold. During the last year we have been off the gold standard. It has not been possible for one to exchange paper dollars for gold. Yet we do have a modified gold standard. Gold is still held in reserve and though paper money is not exchangeable for gold it is not issued unless there is gold in the Treasury to back it up. The amount of

money in circulation therefore still bears a relation to the Treasury's gold reserves.

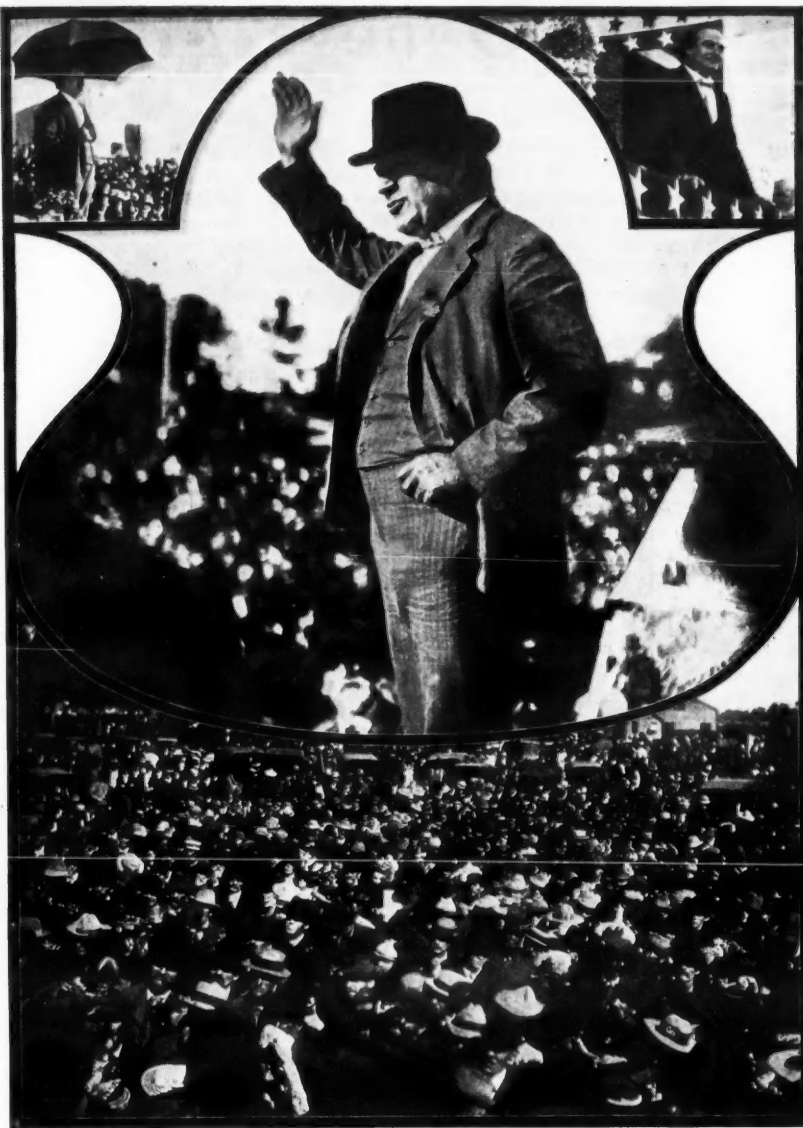
In the earlier years of American history we did not have this single gold standard. Along with the other nations we had a double standard. Gold and silver both were used as the basis for the currency which was in circulation. A monetary system under which two metals, such as gold or silver, are used for money or are used as a reserve against which paper money is issued—such a system is called a system of *bimetallism*. If only one metal, gold, for example, is used as a basis for the currency in circulation the system is called *monometallism*. The meaning of these terms can more easily be understood if you remember that "mono" means one and "bi" means two. It was a common thing for the nations to practice bimetallism until a little more than a hundred years ago. England at that time led the way in giving up silver and in making gold the unit of money value. England then led all other nations in foreign trade and international banking. She dealt with great sums of money and she found it more difficult and expensive to ship silver back and forth than gold, because silver, being less valuable, had to be handled in greater quantities. Therefore, England, shortly after the Napoleonic wars, adopted the single gold standard. Other nations followed sometime later. The German Empire adopted a gold standard in 1870 and the United States went on the gold standard in 1873. By the act of that year, we went off the bimetallic standard. We ceased to use silver as a basis on equality with gold. Those who favored bimetallism were much displeased by this act and for years it was referred to as "the crime of 1873."

### Difficulties of Bimetallism

It was always difficult to use both metals as money. The value each metal should have in comparison with the other was determined by law. It was declared, for example, that an ounce of gold should be worth sixteen times as much as an ounce of silver. Much was heard of the ratio of "Sixteen to One." But if, due to the discovery of new gold mines, gold became plentiful and therefore relatively cheap, it might, on the market, be worth less than sixteen times as much silver. By law, however, it was worth sixteen times as much as silver when it was made into money. The result was that people were anxious to trade silver for gold. Gold was worth more after it had been coined than

when it was a commodity. Silver, on the other hand, being scarce, had a higher value as a commodity than it had when coined, for, when coined, it, by law, was worth only one-sixteenth as much as gold. The result was that everybody was anxious to get gold money, and gold money tended to drive the silver money out of circulation. If, on the other hand, silver should become very plentiful and gold scarce, the situation would be the reverse. Silver would then be worth more when coined into money than when used as a commodity and it would drive gold out of circulation. So it was hard to maintain two metals as the determiner of the value of money.

In spite of this difficulty, there have been



—Harper's Weekly (Culver Service)

WILLIAM JENNINGS BRYAN — THE GREAT SILVER ADVOCATE

demands from many quarters for the use of silver as money again. It is argued that this will increase the quantity of money and hence make money cheaper. If we use both silver and gold as a basis or a reserve for the paper money in circulation we can issue more paper money. Since money will be more plentiful and hence cheaper, prices will rise. This will make it easier for people who are in debt to pay off their obligations and it is argued that increasing prices will be a spur to business.

It is argued further that it would help American trade if we could get the other countries of the world to use silver and gold instead of gold alone as their money basis. This would make money more plentiful in the other countries. Each unit of money would be cheaper; that is, it would buy less goods. The price of goods would, therefore, be higher, and if the foreigners are paying more money for goods, we can sell them our products profitably. So it is argued that the general use of silver as money would help American trade.

Those who advocate the use of silver as money (or the *remonetization* of silver), hope to avoid the old difficulty which came from the attempt to fix the relative value of gold and silver by law. They propose instead that twenty-five per cent of the total reserve fund of the country be in silver and seventy-five per cent in gold. Against this reserve fund, paper money can be issued.

### The Opposing Argument

Opponents of bimetallism argue that it would not have the effect its advocates intend. They say that we do not need a great reserve of metal. We have money enough in this country. We have so much gold in the Treasury that we could issue a greater amount of paper money than we now have. Our federal reserve banks and other banks are flooded with money as it is. The trouble is not that we haven't enough money in reserve, but that business conditions are so uncertain that people will not use the money. Business men

will not borrow it, for they are afraid to expand their plants and extend their operations. Even if a business man should want to borrow the money, the banks are afraid to lend it for fear his enterprise might fail.

The trouble, then, say those who oppose tampering with our money system, is not that we haven't enough money, but that business conditions are such that there is a lack of confidence. They argue that if we do tamper with the money and threaten inflation of any kind, business uncertainty will be even greater than it now is. Money will be used less instead of more than it is and business stagnation will result. The argument is that we should try to restore business confidence and that the best way to do it is to maintain a currency whose value remains the same.

Such is the argument which is now going on over the remonetization of silver. It is an argument similar to that which stirred the country so deeply in 1896, when William Jennings Bryan ran for president as the advocate of silver. After the famous "Sixteen to One" campaign little was heard of the silver agitation until the depression came. The value of gold has fluctuated so greatly during recent months that there has been a revival of the demand for a currency system not depending wholly upon the value of the yellow metal.

On May 22 President Roosevelt sent his long-awaited silver message to Congress. It calls for a policy whereby the monetary base shall be gold and silver in a ratio of seventy-five per cent gold and twenty-five per cent silver. But the president is to exercise discretion as to how rapidly the silver base shall be built up through purchase of the metal. It is suggested that the cooperation of other nations should be secured in the establishment of the new monetary basis, but the president is not definite as to whether the United States should act alone if cooperation is not forthcoming. The message looks in the direction of a new monetary policy but it does not call for its immediate adoption.



SILVER THREADS AMONG THE GOLD

—Taft in Washington News



# Geneva Makes Another Effort

(Concluded from page 1, column 1)

they have influenced governments; how they have sold arms to prospective enemies of their own countries; how they have kept wars alive by feeding armaments to all belligerents. It must be emphasized, however, that the activities of these individuals and these concerns do not furnish the real causes of wars, which only result from the conflicting policies of nations. But they do contribute to international uneasiness. They are partly responsible for increased military budgets and for the prolongation of wars once they have started. If, therefore, they can be supervised, if their arms traffic can be brought into the open and restricted, it is believed that a check can be offered to the development of international rivalry and suspicion, which in the end result in war. This, apparently, is the remaining hope of the arms conference. It falls far short of the program envisaged by the delegates as they first assembled in Geneva on that cheerful February morning in 1932. But, at least, it is something.

## Roosevelt Acts

The impetus for this new trend in disarmament discussions has come from several directions, but especially from President Roosevelt. In a message to the Senate on May 18 he declared that "the private and uncontrolled manufacture of arms and munitions and the traffic therein has become a serious source of international discord and strife." He urged the Senate to approve ratification of the Convention for the Supervision of the International Trade in Arms and Ammunition and in Implements of War which, as we shall see later, was negotiated in 1925 but never ratified by any major power except France. The president then went on to say:

It is my earnest hope that the representatives of the nations who will reassemble at Geneva on May 29 will be able to agree upon a convention containing provisions for the supervision and control of the traffic in arms much more far-reaching than those which were embodied in the convention of 1925. Some suitable international organization must and will take such action. The peoples of many countries are being taxed to the point of poverty and starvation in order to enable governments to engage in a mad race in armament which, if permitted to continue, may well result in war. This grave menace to the peace of the world is due in no small measure to the uncontrolled activities of the manufacturers and merchants of the engines of destruction, and it must be met by concerted action by the peoples of all nations.

The president did not indicate whether he had any specific recommendations in mind. If any direct proposals are to be forthcoming from the United States they will probably be delivered to the conference by Ambassador-at-Large Norman Davis who has been sent to Geneva with the draft of a speech in his pocket.

## 1925 Treaty

The unratified 1925 convention was re-introduced in the Senate on the same day that the president's message was made public. According to its terms the governments accepting it are to undertake to permit the exportation of munitions only to governments, or to agencies and individuals sanctioned by governments. Revolutionary factions will not be allowed to purchase armaments abroad. In addition, the convention provides for a system of licenses to control exporters. For example, if an American armaments concern wishes to make a shipment of munitions to China or Bolivia, it will have to obtain a license from the United States government before it can make such shipment. It will, moreover, have to produce written consent to the shipment on the part of the Chinese or Bolivian government.

The effect of this convention, if accepted, will be to give full publicity to all imports and exports of armaments. It will prohibit the export of armaments to a country against the will of that country's

existing government. It will discourage revolutions and civil wars. It will also make it more difficult for gangsters and kidnapers to obtain weapons.

It will be surprising if opposition does not develop to this treaty as it did in 1926 when it was originally introduced. It was pointed out at that time that the treaty would commit the United States to a policy of curbing the growth of revolutionary movements. It is a historical fact that revolutions are often productive of good. Few would deny that the American Revolution of 1776 was a happy event. But if such a convention had been in force in those days, the colonists might have found themselves seriously handicapped in their struggle with Great Britain. This feature of the treaty, therefore, may make its

Paraguay, but upon the countries which were sending armaments to the belligerents. It called upon those nations to put a stop to this "senseless" war in South America by shutting off supplies of munitions, pointing out that neither country possesses facilities for arms manufacture, and that hostilities would have to end if neutral nations would cooperate to that end.

## Embargo Proposed

The Council took up the matter and Captain Anthony Eden, British delegate, proposed an arms embargo against both Bolivia and Paraguay. An effort was made to do the same thing last year, but it failed because the United States, Italy, Argentina, Germany and Japan found

of restricting or prohibiting munitions shipments in time of war to one or both belligerents has long been talked about. President Hoover attempted to obtain authorization from Congress to prohibit the shipment of armaments to warring powers at his discretion. President Roosevelt has made the same request. The Senate, however, has tacked on an amendment which specifies that if an embargo is decided upon it shall be levied against all belligerents and not against one. In this way, it is held, the United States will not be placed in the position of taking sides with any power. The administration is dissatisfied with this construction because it would interfere with a policy which Norman Davis suggested in Geneva last year. Ambassador Davis declared that the United States, in the event an arms treaty was signed, was ready not to interfere with joint action against an aggressor, if it agreed with the League as to who the aggressor was. This simply means that if the League should declare a nation guilty of starting a war, and should call for an embargo or boycott on that nation, we are ready to cooperate, provided, of course, that we are in agreement with the League. But the Senate, by its amendments to the embargo resolution, has indicated that it is unwilling for the United States to take sides in any quarrel.

## GOVERNMENT HOUSING PROGRAM

(Concluded from page 7)

the country, to borrow money. Banks and loan associations will not lend it because they are afraid of further declines in realty values. In some cases they do not have the money to lend because their funds are already tied up in mortgages. A total of \$43,000,000 is at present invested in urban mortgages.

The corporation established by the government steps in here to help the would-be home builder. If he proposes to build a residence not exceeding \$20,000 in value, he may borrow up to eighty per cent of the appraised value of the property from a bank or loan association. The government corporation insures the bank or loan association against loss on the investment. The corporation protects itself by charging a commission which goes into a fund sufficiently large, it is thought, to protect the corporation against probable loss. The government corporation also agrees to take over, or discount, a loan if the financial organization making it should, at any time, wish to liquidate.

In certain communities of the country, it is said that the banks or loan associations do not have the facilities for the extension of loans to those wishing to build or make repairs. In such communities mortgage associations may be organized under the supervision of the government. Presumably they will obtain their funds from communities where a surplus of investment funds are available.

Such is the general nature of the housing program which has been submitted to Congress by the president. Considerable opposition is developing in Congress. Certain representatives of loan associations are making strong objections. Some of these organizations object to the government supervision which would be part of the system. There is another objection to the effect that the plan would not work successfully. It is said that building costs are so high (they are within nine per cent of the peak prices of 1929) that people will not build or do repair work even though they can borrow the money.

Despite the opposition and forebodings, the administration is, however, optimistic about the prospects for reemployment, prosperity and better living conditions involved in the housing proposals.



THE ROOTER

—Fitzpatrick in St. Louis POST-DISPATCH

ratification difficult. There is no objection to the idea of providing full publicity for the arms traffic.

Besides the action of President Roosevelt looking toward restrictions on the armaments traffic, important developments have taken place in Geneva with which the United States has fallen in line. This involves the frequently discussed plan for a general arms embargo against warring nations.

## Chaco War

It was the Chaco war which brought discussion of this proposal to the fore. The League Council's Chaco committee has long been trying to provide a settlement for the bitter conflict between Bolivia and Paraguay over the wild Gran Chaco. The two countries, however, have rejected all the peace proposals which have been made, and at this writing are engaged in the fiercest battle of their long war. The Chaco committee, discouraged, returned to Geneva and turned in a strongly worded report. It blamed prolongation of hostilities, not on Bolivia and

themselves unable to join in the movement.

But now an effort is apparently to be made to surmount the difficulties in the way of an embargo. France, Spain, the Netherlands, Australia, Italy and Argentina at once declared their support of the British proposal. And the United States is ready to do its part if it can. On May 18 a joint resolution was introduced into Congress, with the president's approval, prohibiting the sale of munitions in this country to either of the belligerents or their agents. Through a technical procedure the legal difficulties are to be overcome. The trouble is that we have treaties with Bolivia and Paraguay dating back to 1858 and 1859 which assure freedom of movement of our exports to those countries. We cannot, therefore, levy a direct embargo. We can only prohibit the sale in this country of munitions intended for the Chaco war. It is likely that the joint resolution will be acted upon favorably by Congress.

All this is only preliminary to a general discussion of arms embargoes which is expected to take place in Geneva. The idea



# Helping America Rebuild Homes

(Continued from page 1, column 4)

throughout the country. Many people believed that we were on the threshold of a movement for better homes and for revived business.

As a result of this interest in housing the Reconstruction Finance Corporation was given the power to lend money for low-cost housing. This happened during the Hoover administration. Little came of these plans, however. There were several reasons for the failure. One was that real estate values were declining and people did not care to put their money into the building of homes when it appeared probable that the value of the structures built would fall. Another reason why the experiment in low-cost housing failed was that the cost did not go low enough. Land remained high. If, then, houses of any kind were placed on this high-priced land, the builders and owners could not come out safely from a financial standpoint unless they charged high rents. The rent per room was so high that poor families could not afford to take the new places. In several cases slum clearance projects were undertaken. Old buildings, unfit for human habitation, were torn down and sanitary apartments, modern and well equipped, were put up in their places. But the people who have lived in the old tenements could not move into the newly built apartments because the rent was too high. The new places had to be rented to middle-class families with higher incomes, while those who had been dispossessed crowded into nearby tenements as bad or worse than the demolished ones.

## Little Accomplished

The trouble here was land values, and that has been the explanation for the failure in every housing project which has been tried since. Under the Roosevelt administration, the housing division of the Public Works Administration was organized. It was placed under the direction of Robert D. Kohn, a competent and intelligent man. There were visions of a new deal in housing, which would result in better living conditions for millions of Americans. The law provided for "the construction, reconstruction, alteration and repair, under public regulation and control, of low-cost housing and slum clearance." Loans were to be made to private companies whose profits, or dividends, were limited. These loans were to come from the public works fund. In addition to the loans, money from the public works fund was to be given to states, municipalities and other public bodies to help with construction work in which these governmental organizations were engaged. The grants from this fund were to be as high as thirty per cent of the cost of labor and materials involved in the projects which the cities or states were carrying on.

This program, for which so much was hoped, has thus far come to practically nothing. A few months after the act was passed providing for loans to private companies for low-cost housing and for outright gifts to states or cities engaged in housing projects, another law was enacted, creating a Public Works Emergency Housing Corporation. This organization, which was a government agency, was given power to go directly into the work of low-cost housing, but to date it has done very little.

The explanation of the failure of the efforts to encourage housing is complex. It appears that private companies have not found it desirable to take advantage of the loans offered to them. They fore-



SMALL HOMES WILL BE MODERNIZED AND IMPROVED UNDER THE GOVERNMENT'S NEW PROGRAM. © Ewing Galloway

see that if they undertake to build apartments, they must, in order to make money, charge rents higher than people can pay. We have here again the problem of high land values. Cities and municipalities cannot take advantage of outright gifts from the public works fund because in only a few states are cities or other public bodies empowered by law to go into the housing business. In the March *Survey* we find this appraisal of the difficulties which have been encountered:

Excellent as are the intentions of the powers-that-be, sound as are their plans, as far as they have gone, the progress indicated to date is scarcely sufficient under the circumstances. Is the lag because this housing program does not lend itself to an emergency technique, or is it that an emergency technique has not been applied? Or is the trouble still deeper? Is it because up to now we have had no land policy, no planning of cities in the real sense, no definite ideas as to community responsibility, and little enlightened public opinion? Is it because of a lack of technical knowledge, no less than a lack of applying what knowledge there is to the best method to producing low-cost houses? Broadly speaking, yes to all. Much experimentation is still necessary in these fields.

## The New Plan

Now we come to the plan which has just been proposed to Congress by President Roosevelt. It is not a substitute for previous legislation but an addition thereto. It does not undertake to meet the fundamental difficulties imposed by high land values. It proposes nothing in the way of a national or municipal plan of housing. It contains no general housing policy for the nation. It is not so ambitious as that. It merely takes the situa-

tion as it is and tries to provide a means by which money can be borrowed more easily for the modernization and repair of residences already in existence, and for the building of new homes. To understand how this program is to work we must examine the old method of financing building and repairing operations, and the reasons for their breakdown.

Let us take the case of a man who decides to spend a few hundred dollars equipping his house with a furnace or with insulation. In times past he has gone to his dealer and arranged to have the installations made. Let us assume that he did not have the cash on hand to make payments. He purchased this equipment from his dealer on time. The dealer, however, did not himself extend the credit. The credit was extended by the company which furnished the materials to the dealer. Perhaps it was the American Radiator Company or Johns-Manville. These companies financed the sale of their products, just as the General Motors Company finances the sale of its cars. The time extended for payment was generally eighteen months, and interest charges came to about twenty per cent.

Under this system of construction our repair activities went on fairly satisfactorily during normal times. Lately the plan has not worked so well. It has not been satisfactory to the companies doing the financing because they have lost quite a little money. It has not been satisfactory to individuals wishing to equip their houses. In the first place, the interest charges have been very high, and in the

second place the time for payment has been too short. On account of their lowered incomes people do not find it wise to contract to make payments within such a short term as eighteen months. Hence the work of equipping and renovating residences has practically ceased.

## How It Works

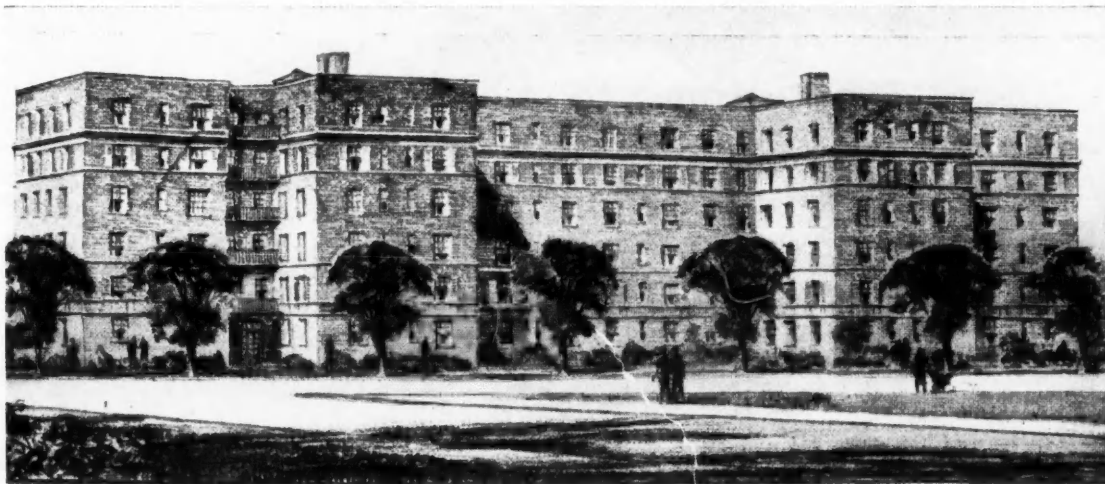
Here is where the government is to step in, if the housing program suggested by the president is put into effect. A corporation created by the government, with capital of \$200,000,000 furnished by the government, will insure loans which are made for the purpose of repairing or equipping houses. The plan will work in this way: A man wishing to install a furnace or insulation will go to his bank or building and loan association and borrow the money. The bank or loan association will be willing to lend it because the loan will be insured by the government corporation. The man will then take cash and pay his dealer for the equipment. He will have from one to five years to repay the bank or loan association, and the interest charge will be, so it is estimated, from seven to eleven per cent. It is believed by those who are promoting this plan that a very large number of people will borrow the money to repair and modernize their houses if they can get it at no greater interest rate than that, and if the time is extended to five years. It is the belief that financial organizations will lend the money freely when they are insured against loss by the government.

But who will pay ultimately for the losses which may be incurred? This is handled on an ordinary insurance basis. The government charges a commission in handling the insurance of the loans—a commission high enough to take care of probable losses. The scheme, then, so it is figured, will not cost the government or the taxpayers anything. This commission, of course, is passed on to the borrowers by the banks or loan associations, so it might be thought that the interest rates paid by the borrowers would be higher. The intention is, however, to prevent high rates through the prevention of "gouging." The banks and loan associations coming in under the insurance scheme are to be closely regulated by the government, and their practices are to be so controlled as to prevent their taking undue advantage of clients.

## The Installment Plan

In effect this plan is a scheme to encourage and make possible the purchase of equipment for homes on the installment plan. Installment buying was common in the days of prosperity. It had an inflationary effect, and tended to raise prices. Perhaps it was a bad thing at that time, but it is figured that now, when the country is down on its back, when we are struggling to get on our feet, installment buying, if generally resorted to, would start industry into greater activity. Installment buying, because of a failure of credit facilities, cannot get under way in a time like this, however, without government help, and the housing plan proposes to give such assistance.

We have discussed but one part of the housing program—that which has to do with the renovation of houses. The other is concerned with the financing of new building. At the present time new construction is difficult. If a man wishes to build a house, he has a hard time, in many sections of



A LARGE-SCALE HOUSING DEVELOPMENT

Boulevard Garden Homes in New York City which will consist of ten six-story buildings on a thirteen-acre lot. Apartments will be provided for 960 families.

(Concluded on page 6)





# The National Capital Week by Week

## A Record of the Government in Action



**A** VERY serious controversy has broken out over the NRA. The committee headed by Clarence Darrow, famous criminal lawyer, has reported that the NRA is being used as an instrument whereby, in certain industries, a few great corporations have written the codes and have control of code enforcement machinery, and are using their power to drive out small competitors and to gouge the public. General Johnson and his associates vigorously deny these

of these codes, and made the following general charges against the NRA:

1. The NRA fosters monopoly and oppresses "the little fellow."
2. Certain NRA codes are badly administered, and are placed in the hands of special monopoly interests for enforcement.
3. The consumer suffers under NRA, because of monopoly prices.

In addition, the famous old Chicago lawyer was joined by William O. Thompson, another member of the board, in a supplementary report which urged:

1. Socialized, collective ownership and control of industry, followed by a planned use of America's resources.

2. Transfer of code enforcement and fact finding from NRA to the Federal Trade Commission.
3. Restoration of the anti-trust laws.

Darrow (and his ghost-writer, Mr. Russell) stated flatly in this supplementary report that the nation's choice lies between "monopoly sustained by government" and "a planned economy which demands socialized ownership and control."

### Must America Choose?

In their replies, which fairly bristled with such adjectives as "false," "misleading," "inaccurate," Johnson and Richberg stated that this left the United States with a choice between Fascism and Communism, and that they were carrying out a law which involved neither one, but was a democratic process of self-

government for industry. They said the Darrow board had listened to false testimony by a few "little fellows" whose claims had already been refuted by NRA. They charged also that the review board had not been thorough and that it had disregarded information which had been freely offered by NRA to help in the investigation. The review board had asserted that the steel code was a piece of outright monopoly, and had used a Federal Trade Commission study of the code upon which to base its statements. Richberg answered that the NRA had already set to work to change the steel code to remove the evils existing, and in the same breath branded the FTC study as entirely wrong.

The NRA leaders asked the president to dissolve the Darrow board, and it seems likely that this will be done within the next month. Mr. Roosevelt is apparently more in sympathy with Johnson and Richberg than with their opponents.

But Darrow and Russell have come out with another statement, to the effect that they will have a further report to issue

shortly, dealing with codes "in which conditions are even worse than in those that have severed Mr. Richberg's vision."

Submitted to the president May 4, the Darrow report was not released for publication until May 21. Meantime President Roosevelt referred the bulky document to the Department of Justice, the Federal Trade Commission, and the NRA for examination. The answer prepared by Richberg was of the same length as the Darrow-Russell findings—155 pages. Republicans are asking for a congressional investigation of NRA. That may not follow, but at least public attention is focused on its possible weak spots.

### Pieces of Hate

It is often said that one may appraise men or ideas by looking at the enemies which oppose them. In that case, the Federal Trade Commission would certainly seem to be a strong and determined body. Johnson and Richberg very much dislike the FTC. To have the Darrow board use the FTC challenge to the steel code amounted to an insult. At the same time, the FTC has come in for a fine display of hatred in connection with the stock exchange regulation bill.

As passed by the House, the stock exchange bill called for administration of the new law by the Federal Trade Commission. This was the intention of Ferdinand Pecora, Chairman Fletcher of the Senate Banking Committee, and the "young liberals" who helped draft the bill. James Landis, one of these young men, is a leading member of the FTC.

Wall Street opposes FTC administration of the bill, and wants a new commission named by the president for that purpose. Plainly the heads of the New York stock exchange are anxious to avoid control at the hands of Mr. Landis and his fellow commissioners. The Senate voted for the separate new commission, and the amendment to that end was drawn by the scrappy little Virginia warrior, Carter Glass.

All this accounts for another Washington bombshell. When the Senate members of the conference committee (to agree on the final form of the bill) was named by Democratic leaders of the upper house, Glass and Senator Wagner of New York were not included. Senator Barkley of Kentucky was chosen in place of Glass. It was quite evident that the men picked to represent the Senate in the conference were expected to recede from the Glass amendment and agree to the House bill calling for regulation by the Federal Trade Commission.

This made the fiery little Virginian fighting angry. He tossed his bomb into the lap of the Democratic leader, Joe Robinson of Arkansas, where it went off with plenty of emphasis, much to Robinson's dismay. All Mr. Glass did was to turn in his resignation from the Banking Committee and crackle a few sharp, well-chosen words to newspaper men. But that was enough.

For more than a week now Robinson and his aides have been trying to reduce Senator Glass' temperature, which is even higher than the ninety-four-degree heat which blankets the capital these days. The resignation was refused, and everyone went into a frantic huddle to find some way of pacifying Glass.

Senator Barkley found himself in an extremely embarrassing position, and hastily assured Glass that he would fight for the Senate amendment to the limits of his ability. No doubt he will, and so will other Senate conferees. But the weight of the administration, including President Roosevelt, who stated that he favored the FTC, is on the House side of the argument. Probably the Federal Trade Commission will be given jurisdiction over the bill, unless Glass can find another missile to throw.

President Roosevelt will go to New York this week to review the combined Atlantic and Pacific fleets of the United States Navy on May 31. After passing

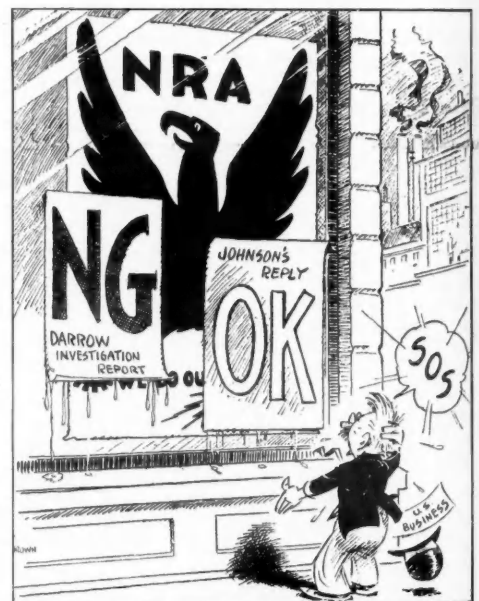


SOME FOLKS NEVER KNOW WHEN TO GO HOME  
—Patton in Dallas JOURNAL

charges. The charges and counter-charges are childishly bitter and personal in nature, but behind them there is developing a really first-rate issue.

The NRA undertakes, of course, to place each industry under a system of self-government. It is the intention that these industries, through establishment and enforcement of codes, will provide better working conditions for laborers and better competitive conditions for business. It all depends, however, upon the interests which write and enforce the codes. Above all this code writing and enforcement stands the government, but there is a question as to whether the government, acting through the NRA, will find it physically possible to supervise the conduct of hundreds of separate industries. The question as to whether the NRA machinery is being used to promote better and fairer industrial conditions or, on the other hand, to centralize power in the hands of great selfish interests to the detriment of small business and consumers, emerges as a major issue.

After listening for several weeks to testimony involving eight or ten codes, the Darrow review board issued a statement and recommendation of changes for each



U. S. A.  
—Brown in N. Y. HERALD-TRIBUNE

through the Panama Canal on its way eastward, the fleet engaged in a series of sham battles to test the effectiveness of various units. Many ships were "sunk" and many lives "lost," but they will all be on display in the parade in New York harbor. The president and his official party will watch the exhibition from aboard the *Indianapolis*.

## Something to Think About

1. Account for the fact that housing plans to date have worked out so unsuccessfully. Do you know any way by which the difficulties might be overcome?
2. What proportion of the people in your own community live in unsanitary or crowded quarters? If modern residences or apartments were constructed, could the people now living in the inadequate quarters afford to pay the rent in the new?
3. Do you think that better housing for the poorest elements of the population should be furnished at public expense just as education is? If not, do you think that efforts should be made to guarantee wages that are high enough so that all may have decent housing?
4. Explain the housing program submitted by the president to Congress. How would it work in the concrete case of a man wishing to improve or repair his home? In the case of a man wishing to build a new home?
5. Do you think that this plan is designed chiefly to raise the housing standards of the nation or to furnish employment for workers in the capital goods industries? What are some of the difficulties in the way of the success of the program?
6. What is the big obstacle in the way of the movement of nations to limit armaments?
7. What proposals have been made relative to the sale of arms? Do you see any reason for taking private profit out of the manufacture and sale of armaments?

8. What has been the position of the United States on that subject, and what is its position now?
9. What should our government do about the sale of arms to the South American countries which are at war?
10. What change in the money system of the United States is being considered? What are the arguments for and against bimetalism?
11. What charge was made by the Darrow board against the NRA? What answer is made by Johnson and Richberg?
12. What reason is there for saying that it is a good thing for an administration to have organized opposition?

**REFERENCES:** (a) Uncle Sam—Landlord. *Survey-Graphic*, March, 1934, pp. 124-128. (b) New Homes for a New Deal. (A series of articles.) *New Republic*, February 14, pp. 7-9; February 21, pp. 41-44; February 28, pp. 69-72; March 7, pp. 91-94. (c) An International Breathing-Spell. *Current History*, June, 1934, pp. 319-324. (d) Chaco Insanity. *Current History*, May, 1934, pp. 216-217.

**PRONUNCIATIONS:** Kimon Gheorghieff (kee-mohn, o as in go, n scarcely pronounced, gee-or-jee-eh), Hideo Kuroda (hee-day'o, o as in go, koo-ro'dah), coup d'etat (koo day-ta', a as in after), Grau San Martin (grow, o as in how, sahn mar-teen'), de Cespedes (day theth-pay/dayth), Mendieta (men-dee-ay'ta).